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Liberal Party of Australia

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**The 13th Annual Sir Richard Kirby Lecture
Department of Economics
University of Wollongong**

**"The New Wage System and Industrial Relations in
the 1990s"**

**Dr John Hewson
Leader of the Opposition**

**Presented
22 October 1991
Hope Theatre
University of Wollongong**

The 13th Annual Sir Richard Kirby Lecture

Department of Economics

University of Wollongong

**"The New Wage System and Industrial Relations in
the 1990s"**

Dr John Hewson

Leader of the Opposition

**Award of the 1991 Industrial Relations
Prizes for Outstanding Undergraduates:**

Yasmin Rittau — *Hilda Kirby Prize*

Barbara Dean — *I.R.S. of NSW Prize*

Barbara Dean — *Eric Derra Young Prize*

Presented

22 October 1991

Hope Theatre

University of Wollongong

The New Wage System and Industrial Relations in the 1990s

Sir Richard Kirby, Justice Hope, Professor McKinnon, distinguished guests, ladies and gentlemen. Let me begin by saying that it is good to be back at University. I look forward to the opportunity given to me to present the Sir Richard Kirby lecture. My topic for tonight is "the new wage system and industrial relations in the 1990s". I think the important thing we can do in the midst of the worst recession in 60 years, with now double digit unemployment and the prospect of unemployment staying high for a lot longer than people would have expected - the single most important thing to do, is to reform our industrial relations and wage determination system, both as an essential element of re-building the Australian economy and as a fundamentally important element of re-building job opportunities in Australia.

The Chairman and Di Kelly mentioned a list of very distinguished speakers who have given this address in the past. If I might be permitted some light hearted comment at the beginning, I feel a bit out of place, given the run of names and personalities that have spoken here. Sir Richard Kirby himself was the doyen of the centralised wage determination system and of the industrial relations club. Mr Justice Staples, well, pretty much an outcast to the IR club these days. Bryan Noakes, a proprietor of the IR club and the centralised system. Blanche d'Alpuget, chronicler of the IR club, Simon Crean and Bill Kelty, they would have to be shop stewards for the IR club and centralised system. Bert Evans, of course a pillar of the industrial relations club and the centralised system and Brian McCarthy, well, what can you say - hijacker of the IR club to say the least.

I would be happy to be described by next year's speaker as the odd person out, one who was in fact a very significant sceptic of the centralised wage determination process in Australia and of the role of the industrial relations club.

I should in fairness though, begin by acknowledging the tremendous contribution that Sir Richard Kirby has made to industrial relations over many years. He has been both a notable and a noble figure on the industrial relations landscape in Australia. For seventeen years he presided over the Commonwealth Conciliation and Arbitration Commission, until he retired from that post, as I suppose most of you know, in 1973.

Those were the years which people would say were the golden years of the centralised industrial relations system which was set up at the turn of the century. They were in fact pretty much the golden years that Sir Richard Kirby had the honour of overseeing. At the time there was a formality and a degree of predictability about the wage determination process. The national wage case would roll around regularly; the unions, the employers and the Government would engage in the ritual of the courtroom and then Australian workers would wait and see what benefits would be handed down to them from on high.

Wage case day became pretty much a national institution, a bit like the Melbourne Cup, or perhaps I would be better to say a bit like Christmas, as a better analogy. But all that is changing and my theme tonight is 'so it should, and so it must'.

In my view, in very simple terms, there should be no more national wage cases in Australia. All future wage increases should be determined at the workplace level and linked to performance or productivity.

I am getting a bit of a reputation these days for attacking sacred cows and I see a few signs in the audience drawing my attention to that fact. Well, Sir Richard Kirby was quoted in The Age last year as saying that the industrial relations system might be a sacred cow, but it is the only cow we have. I would suggest that it is time that we tried a different animal. I know Sir Richard was a great champion of the centralised wage fixing system and remains a great champion of that system. At the time of the last election, he was again quoted in the Age as

saying that the Accord was essential to industrial relations, that the Coalition's policy of enterprise bargaining wouldn't work and in fact, that it risked industrial confrontation.

Well, with great respect to Sir Richard, I disagree with him. I submit that the reality of the industrial market place in recent months is that the break down of the old order is now inevitable. Now, I am, as many people in this audience may point out, a conservative. I don't believe in tearing things down just for the sake of making change. If something is working well, I generally take the view that it ought to be left alone. But I think the centralised wage determination process isn't working well. I don't in any sense see the centralised system and the Accord as a solution to our economic problems. Indeed, I see the centralised system and the Accord processes as a fundamental part of our economic problems.

Back in the golden age of the Australian economy, in the 50's and 60's and even the 70's, the Conciliation and Arbitration Commission seemed to work pretty well and the process around it seemed to work pretty well. But times have overtaken it. As the competitiveness of Australia has been eroded, as our living standards have slipped steadily lower, the role of the centralised wage fixing process has come under increasing scrutiny and under increasing challenge.

Now, we are seeing a viable alternative emerge and passing rapidly from the processes of theory to, what I believe, will be a reality. The clear trend now is away from the centralised system of wage determination towards agreements at the enterprise level and both major political parties are at least using the same words in that respect, although as I will point out, there are quite fundamental differences between ourselves and the Government and the union movement in terms of the way that system would work.

It is a trend that the Coalition Parties have been pushing for since the early to mid 1980's. We have had a detailed policy on enterprise bargaining since the middle 1980's and it is a trend now that is being reflected by shifts in rank and file attitudes and is enjoying a wider support in the

general community. The task before policy makers today is to perceive the significance of this trend. Smart policy makers will facilitate the trend and ensure that it works in the best interest of dealing with our economic problems. That will mean overturning many of the principles and customs that have developed in the Australian system of industrial relations over the past 90 odd years. It is going to require a basic change in attitudes and a substantial shift in practice.

I want to focus tonight on the bottom line of our current circumstances - the level of unemployment. I made the comment at the start that I feared unemployment would stay higher, longer than most people have been prepared to admit, under the sort of policies we have seen in recent years. We know that the unemployment rate as measured by the Australian Bureau of Statistics, is presently about 10.2 per cent. We are approaching one million unemployed, on the basis of the Government's own numbers, in the course of this financial year. One in ten Australians across the board is unemployed, with the worst feature of the unemployment situation being the fact that there are now one in three youths unemployed in Australia.

But you can add to that official unemployment rate of 10.2 per cent the fact that there are a lot of part time people who would prefer to work more, or full time people who are forced to work less than 35 hours a week for some economic reason; either they have been pushed to a fewer number of shifts or a fewer number of days. They may have been stood down for part of the time, they may have been forced to work short time or whatever, and there are about another 600,000 of them, another 7.3 per cent of the workforce or thereabouts. So, you are looking at 17.5 per cent of the workforce who are either unemployed on the official definition or working less than they want to. Then, when you recognise that there are a number of others who don't get counted in that system because they have gone onto other benefits, you are nearly down to one in five Australians who are facing the prospect of unemployment or having to live with the situation where they work less than they would want to work.

Among those numbers about 700,000 people all up are receiving unemployment benefits. About 16,000 of them are in Wollongong, with a measured unemployment rate of 11.3 per cent. But most disturbing is the fact that there could be 300,000 or more of those people who are long term unemployed, that is, unemployed for more than a 12 month period. The most disturbing statistic of them all, is that there are some 160,000 families with the principal bread winner unemployed at the present time. And as if that situation isn't bad enough, the forecasts are worse. The Government's own numbers in the Budget said that unemployment would peak at 10.75 per cent towards the end of this calendar year and would be on a downward trend by the middle of next calendar year or the end of this financial year. The leaked document that appeared this week showed that a government department is advising that the number will peak at 11 per cent around the middle of next year and that it will still be above 10 per cent in the middle of 1993 - just after the scheduled date for the next election.

We have taken the Murphy model, which is the Government's own model, and used the Government's own numbers, which are quite optimistic numbers, and we have done some extrapolation beyond 1993. You see on that model, whose time period runs out about 1995-96, that measured unemployment is still about 9 per cent in the middle of this decade under existing policies. That is achieved with a further fall in real wages, in that model, and it sees the current account deficit jump back up to six per cent of GDP. Indeed, if you take the number further, to get the unemployment number down under existing policies, you look for a much more substantial fall in real wages in the course of this decade, but you still won't get anywhere near full employment, as some economists would define at somewhere around 6 or 6.5 per cent, by the end of the decade. Indeed, to achieve that level and depending on what assumptions you want to make about population and the participation rate, we need to create somewhere between 1.4 and 1.9 million jobs. If the participation rate doesn't increase - and there has been, as you know, a significant increase in recent years - then of course you are looking at a 1.4 million task. If it does increase in line with recent trends, you are looking at more like 1.9 million jobs.

Now, that is the reality of the 1990s. That is the reality that anyone in Government or anyone in the union movement, or anyone in business is going to have to face. And it is not just the hard unemployment number, it is all the social and financial pressures that spin off that, when you see such high levels of youth unemployment.

The prospect that children leaving school now may not see a job for five years, the prospect that crime and youth homelessness and so on, will increase the prospect of family pressure, family break down and so on. So, it is a very daunting task for any Government and it is against that background that I think we should put aside all sacred cows and ask some basic questions about the nature of our wage determination process and the fundamental role it plays in relation to creating jobs, or not creating jobs.

Now, to me, the Government doesn't understand the nature of this situation. How could it, when it is pushing ahead with a further general wage increase this year, in the midst of the worst recession in 60 years? It is pushing ahead with its proposal for occupational superannuation, which on the basis of the Murphy model by the middle of the 1990's will cost another 100,000 jobs. And it is pushing ahead with an attempt to preserve the centralised system and the Accord even when, as I said before, they are a part of the problem, certainly not part of the solution. Indeed, I see the Accord process as a fundamental reason why unemployment has got to the level it has and it is a fundamental element, of course, in our lack of competitiveness.

For the rest of my remarks, I thought I would like to look at three things. I would like to look at why I think the Accord is a problem; secondly, I would like to say something about the current wage situation which is very delicate and thirdly, I would like to present an alternative.

There are several major problems with the Accord process. The first one, from an economic point of view, is that over the life of the Hawke/Keating/Kerin Government, the Accord has

given us uncompetitive wage outcomes. It has consistently failed to deal with the basic problem of how to tackle unemployment and inflation simultaneously. Since 1983, for example, nominal wages have increased at an average rate of about 6.5 per cent. To be fair to the Accord process, if you go back to the early 1980's, people were expecting that you would see larger nominal wage increases than 6 or 7 per cent. So in that sense, the Accord has held wage increases down below the levels that were expected. But 6.5 per cent compares with a rate of about 4 per cent in the seven major OECD countries - for nominal wage growth over the same period - 6.5 in Australia, 4 per cent in the seven major OECD countries.

Not only have we outstripped the OECD wage average, but our labour productivity growth has fallen short of the overseas performance, running about half the rate of the OECD countries. We have lost competitiveness - because our employers have faced a faster growth in nominal unit labour costs - than have their trading partners. Indeed, from 1983 to 1991 nominal unit labour costs in Australia rose by an annual rate of about six per cent, which compares to annual growth of unit labour cost of about three per cent in those major OECD countries.

The faster growth in nominal unit labour costs was for a time offset in Australia by the fact that our exchange rate fell in 1985-86, but since then the pressures of the high exchange rate and faster growing labour costs have seen our competitiveness recede - quite sharply - and it stands, on the basis of Treasury figures, 15 per cent below the 1983-84 levels. So, the first consequence was that we gave ourselves uncompetitive wage incomes and priced our employers out of international markets. At a time when we were trying to boost our trading performance. The second consequence of the wage outcome process is that it underwrote an inflation rate which for that period ran at roughly double that of our competitors. So, we had double the wage increases on average, measured as unit labour cost, and double the rate of inflation of our trading partners.

The second reason why I think the Accord process has failed relates to the fact that it has also failed those it was supposed to help, who are the workers in Australia. Unit labour costs, in real terms, have fallen by over 8 per cent since 1982-83. So the worker has taken a cut in real wages, yet our nominal unit labour cost have been uncompetitive by world standards. So a lot of pain has been borne by workers for no gain in terms of competitiveness. Now, the workers have been told, and the Prime Minister tells me almost every day in the Parliament, that you shouldn't worry or shouldn't focus on unit labour costs *per se* because there is this thing called the social wage which has made workers a lot better off. They have been able to get family assistance, better education, better health and now the prospect of improved superannuation. But when you go in to those elements of the social wage and you look at the distributional effects of those elements of the social wage, workers haven't necessarily gained and in general terms, quite often the average Australian family has gone significantly backwards, as recent studies have shown.

In education, for example, the benefits have been concentrated on the higher income groups. In health we see that the system is under real pressure, the queues are lengthening in hospitals, the list of approved services is shrinking and so on. The trade-off has notionally been social wage for nominal wage increases, but in general the average worker has gone backwards. To the extent that those social wage benefits have been funded by tax rates higher than they otherwise would have been, then of course there is no net gain at all, and in some cases they have gone decidedly backwards.

The third reason why I think the Accord has failed, is that it has imparted an expansionary bias to economic policy overall. And if you go back and read the original Accord document in 1982, which was the basis of the 1983 election campaign, you will see that it was argued that the Accord would control inflation and therefore the Government could pursue more stimulatory fiscal and monetary policies in order to sustain growth and create jobs. For part of the period, there was a lot of job creation - I think the Government claims to have created 1.5

million jobs in its first five years in office - but they were not real sustainable jobs and they were only achieved at the cost of a significant increase in international debt, indeed, at the price of \$70,000 in debt per job, over that period.

So an expansionary bias was imparted. Monetary policy, for example, saw credit growth of 20 to 25 per cent right through from 1983 to about mid-1989. That underwrote a lot of the boom psychology of 1984 and it did again in 1987, 1988 and into early 1989.

The fourth failure of the Accord is that it has elevated Bill Kelty and Martin Ferguson, and Simon Crean before them, to almost defacto Cabinet status. This has meant that they have had an unusual influence over the structure and direction of Government policy and they have actually blocked a lot of reform that is in fact essential to creating jobs in Australia. It is one of the great ironies of the Accord that they have actually prevented the job creation they had been out to achieve by establishing that particular link with Government.

And when you put the last two factors together, the fact that there is an expansionary bias to macro policy generally and the fact that Bill Kelty and others were blocking major reforms in other areas, it left the Government really only one policy instrument to deal with economic crises as they emerged. That was monetary policy and high interest rates. They used it in 1985, in response to the exchange rate crisis through 85-86, and almost tipped the economy into recession. And of course, they used it again most recently from early '88 onwards to pitch us in to the worst recession since the 1930's.

So, you have two things as a result of those last two factors. You had this boom, bust sequence of economic events. The boom of '83, '84, the bust of '85, '86, the boom of '87, '88, '89 and the bust of '91, '92 and maybe beyond. And secondly, the heavy reliance on high interest rates has left us with a very high level of real interest rates, which has sustained our exchange rate above its long term competitive level and therefore further sacrificed jobs. So,

for the reasons that I have given you, I believe the Accord has been fundamental to creating the circumstances we have today and accentuating the unemployment problem.

Now of course, recession is driving inflation lower in present circumstances but it is only doing so by an unsustainable collapse in business profits and spending which is a legacy of the 1980's and which was built up under the Accord. It has kept inflationary expectations higher than they would otherwise have been right through that period. The rigidity of inflation expectation is reinforced by the Hawke Government's continued adherence to wage targets that have been set for it by the ACTU. Although the Government says it is keen to move in current circumstances to a decentralised process of wage determination, which they describe as enterprise bargaining, Mr Hawke and Senator Cook and Mr Kerin continue to talk about a wage target for 1991-92 of 4.5 per cent. Such a target, as was admitted by Mr Kerin, will imply a wage growth through this financial year of 6.5 per cent, which is well in excess of the assumed productivity in the Budget papers of 3 per cent and guaranteed to re-ignite inflationary concerns.

Now, the stupidity of the current arrangements is that the ACTU is trying to run with a wage rise that is akin to the wage rise that was granted right throughout the 1980s, but it is trying to still run with the 6.5 per cent in what are entirely different circumstances. And aside from the unacceptable unemployment situation, we have seen the drop in inflation around half that of the average of the 1980's. We have seen no noticeable sign of improvement in productivity and we have had a deteriorating external situation which has seen our terms of trade drop almost five per cent since the beginning of this year. So it is, as I say, a stupid policy to pursue a wage rise of that order of magnitude in the circumstances that I just described.

The problems that the Accord are causing us are being highlighted in the current recession. The process of setting wage targets in advance and by decree from Canberra, without regard to economic circumstances, has led to a massive growth in real wages, just as Mr Keating's

disastrous miscalculations on monetary policy have sent our business sector into a tail spin. You should stop and think about the increase in real wages that has taken place in recent days. If you take the period from late 1989 to September 1992, that is if you include the Government's own forecast of what will happen to wages this year and take into account that the Government's new superannuation levy on employment will be introduced in that time frame, then real wages between late '89 and September '92 will have risen by seven to eight per cent. Seven to eight per cent in the midst of the worst recession in 60 years! Such a rise in real wages in the middle of that recession is nothing short of sheer lunacy and it has contributed perhaps as much as three percentage points of our current level of unemployment. The recent leaked documents basically confirm those numbers. Unemployment is likely to go much higher and remain close to ten per cent as we go into 1993.

As we look out into the 1990's, we have to be prepared, I believe, to jettison the Accord, jettison national wage cases, and jettison the centralised process of wage determination if we are to have any hope of significantly improving our international competitiveness. And the numbers are really alarming. If we want to stabilise debt by the middle 1990's, that is not see it grow faster than GDP, then we have to shift three and three quarter per cent of our economic activity into exports throughout that period. And the alarming thing is when you go back over the whole post war period, we have never shifted three and three quarter per cent of our economic activity into exports in any one of those years. And that gives you, I believe, some idea of the magnitude of the task that is before us in policy adjustment terms.

If we fail to adjust we are definitely on a slow train to mediocrity and we will be the backwater of the Asia/Pacific region, which is the fastest growing region of the world and will be for the next 40 or 50 years.

If we cannot lift our productivity performance above that of recent years, the only option will be the one the Government has pursued; that is further cuts in real wages which have been

decidedly against the best interest of those they are supposed to be trying to help, namely workers. Those real wage falls will flow through into falling living standards, increasing social tensions and give us a less than adequate capacity to care for the sick, care for the aged, defend our shores and to protect our environment and so on.

That is the sort of choice before this nation at the present time.

In simple terms, there are two quick conclusions from that assessment of the current wage situation and outlook:

- There should be no further national wage cases.
- Further wage increases ought to be based on improvements in productivity and performance.

I challenge the Prime Minister to formally forgo his current wage target of five per cent in 1991-92 or six and half per cent through the year.

Now, against that background, I put it to you that we have to think of an alternative approach to wage determination which will actually address the fundamental problem of lack of competitiveness, while giving workers the opportunity to earn more and, if backed up with the right tax package and other changes to the system, the opportunity to keep more of what they earn. They are the principal motivations behind our policy of enterprise bargaining, which was developed in the middle 1980's and is now in the process of being refined. Indeed, it is being put into the form of draft legislation so that it will be ready to be introduced into the Parliament in our early days in Government.

Our policy is built on four key principles and this is where the differences start to emerge between what I mean by enterprise bargaining or enterprise agreements and what the Prime Minister and the ACTU and others mean by enterprise agreements.

First, the absolute right of individual employers and their employees to make voluntary agreements at a workplace level, without the intervention of industrial courts beyond the protection, of course, of minimal hourly wages and safeguards that relate to health and safety. This will permit wages and conditions to be set at a level that conforms with the capacity of the enterprise to pay and also to encourage increased productivity and more sensible and sustainable work practices, which will result in greater returns for the company as well as greater rewards for the workers and perhaps also lower prices to the consumer. That is a very important principle.

The centralised system has built us a great degree of uniformity. The single most important thing to do in present circumstances is to re-establish some flexibility, or lack of uniformity, in that system. What we have seen in recent years is that irrespective of the capacity of individual firms or individual industries, there has been an across the board wage increase. It is ludicrous to imagine that a 6.5% wage increase handed down by decree, perhaps as a result of some deal done in the Lodge in the run up to the last Budget or whatever, should be equally applicable in Broome or Geelong or Sydney or Melbourne or Townsville or whatever, irrespective of the firm, irrespective of the industry, irrespective of the circumstances in which they are operating. That degree of uniformity, that lack of flexibility is one of the fundamental problems in Australia. The labour market simply doesn't work. There aren't correct price signals; there aren't differences between individuals in the same company because of differences in the quality of their work; there aren't differences between companies in the same industry because of differences in the performance of those companies; there aren't differences between industries, some declining and some growing. It is of fundamental importance to get a re-

focussing of the negotiations back to the enterprise level, to the workplace level and voluntary agreements are an essential element of that. So that is the first principle.

The second one is the absolute right of individual workers to join a union or not to join a union if they wish to do so or if they don't wish to do so. This means, in simple terms, the end of compulsory unionism and the end of the closed shop. That is a fundamental right that will again be protected in legislation.

The third policy principle is the upholding of the principle that all Australians, including unionists, should be subject to the same laws of the land. And what we mean by that, in simple terms, is that employees and employers would operate on an equivalent common law footing. So there would be direct right of legal access by an employee against an employer for wrongful treatment, dismissal or whatever, and vice versa for an employer against an employee. That common legal footing is fundamental to an effective workplace negotiation taking place.

And finally the right of trade unionists to associate or get together on the basis of their enterprise, industry or craft without any arbitrary restrictions of any kind. What I am looking for in this fourth principle is really the opportunity for there to be enterprise based unions, based on choice, based on a vote by the workers.

The key thing about those last three points is that we are not anti-union. We are not anti-union. We are anti Bill Kelty being a defacto member of Cabinet. Sure, we are anti unions being a branch of Government, sure - but I am not anti-union in the sense that they should do what they were formed to do which is to represent the interests of workers at the workplace level.

In effect, what we are offering employers and their employees is the opportunity to opt out of the centralised system and reach their own measured agreement on pay and conditions within the circumstances of their own workplace. We are certainly not going to force this to happen.

We don't believe in coercion or compulsion; we believe in creating the circumstances for individual choice and in the legislative framework that I have described, those circumstances will exist.

If employers are worried that they will be picked off by a powerful union, then they don't need to leave the centralised system and vice versa. It is a question of choice and we are giving people that choice and establishing the direction under which they will find it worthwhile to go. It certainly will not be based on compulsion or coercion in any sense. If workers and managers want to stay in the centralised system they have that choice and they are able to do so. Indeed, you are already seeing some Section 115 agreements being done within the centralised system, which in effect starts the process towards enterprise based bargaining through staying within the centralised system rather than opting out of the system.

I personally don't believe in compulsion and I don't think it is necessary because I believe that the circumstances already exist in the minds and the attitudes of the rank and file all over Australia for some of these changes to occur. In the midst of the worst recession in 60 years you would expect them to; you would certainly hope that those pressures would be there. Let me just give you a couple of specific examples of the shift in attitude that has taken place in recent days. Let me talk to you about the example of the Shepparton Preserving Company, a company making canned fruits that was in very difficult circumstances. They were facing the realistic prospect of closing down; they fired the board and then restructured the board, they restructured the management, they cut overheads and the workers then said they, on their own initiative, wanted to offer a cut in wages or some of their conditions of employment for a limited period in order to keep their jobs and see if they could revitalise the company.

I speak with some authority on this because I went to Shepparton twice. I went just after they announced the decision in order to talk to the workers to hear what they in fact had in mind. At this time they were being heavied, to put it mildly, by John Halfpenny and some of the other

industrial thugs of the Victorian Left. The second time I went was some months after they'd had reached that agreement to see how it worked in practice. You will recall that although they didn't get exactly what they wanted, as they were forced to take an amendment to their award, they, in effect, achieved the end they wanted, which was to offer a cut in their terms and conditions of employment in order to keep their jobs. They offered, for example, to remove over award payments to seasonals, to do Saturday or Sunday work on single time, to remove staff leave loadings on a one-off basis of 17.5% and, as part of the deal, they also negotiated an expanded profit share. Now the interesting thing that happened as a result of that deal was all the workers gained. They are better off and they will tell you they are better off. Secondly, there was about a 48%, I was told, increase in productivity in that canning season relative to the past. You can make light of what I say, but you think about standing on a production line doing 2 million cans of canned fruit a day, thousands of cans flashing by and you are stuffing them full of peaches, and think about how you get a 48% increase in productivity. One of the workers said to me when I complimented him on the 48% increase in productivity, "you ain't seen nothing yet, we have got a long way to go".

That one change in attitude, that offer of a cut in terms and conditions, actually created a situation where the workers gained, the company gained, the company survived and our national exports improved. It was fundamental to what has got to be done in this country. The worker attitude is there and it is working to the betterment of those workers as well as to the betterment of the country.

Another example, which might be closer to the hearts of many people in this room, relates to the brewing industry. I'll talk to you a little bit about Power Brewing where they actually have done an enterprise agreement. They have put in a flat management structure with all their employees multi-skilled. They work a 4 day, 40 hour week rather than a 35 week as at XXXX for comparison. The average Power brewery worker earns \$9,231 per annum more than does the XXXX worker, \$9,000 a year better pay. The long term Power workers are \$14,351 better

off under their agreement than other brewery workers in other parts of the industry. Productivity has been extraordinary with output of beer per employee twice the European average. Power has three people on the brewing floor for the same size process for which a competitor has 27 people on the floor. Other features of the agreement are an attractive employee share scheme in which they get a 10% discount on the market price of interest free loans for 5 years and an annual \$50,000 scholarship for further education. And Power has captured 20% of the Queensland beer market in just 3 years.

It can be done and it is being done. There are hundreds of separate similar agreements taking place all over the country and there are some very important test cases under way at the present time. The most recent one of those is Metway Bank in Queensland which has asked the Industrial Relations Commission to approve its industrial relations agreement with its staff association. An application that is being heard under Section 115 which deals with one-off certified agreements.

In comparison to the trend that is there, the Government is still clinging on to the old system. They are trying to keep the opportunity of national wage cases; they are trying to consolidate union power into 20 large unions which will not give you collective bargaining, as they describe it. It is more likely to give you collective mugging as large unions pick off weaker employers.

But the biggest danger of the present circumstances, I believe, is the Government clinging to the old system and using words like enterprise bargaining when they aren't putting in place an effective legislative structure for enterprise bargaining to take place. They risk undoing all the good that might otherwise be done. They risk, for example, enterprise agreements being given a less than fair chance. They risk discrediting enterprise bargaining before it has had a real chance to show what can be done.

There should be nothing terribly radical, nothing terribly frightening or nothing terribly alarming about that sort of process. It is after all, as I say, what a lot of workers already want and they have voted with their feet in that respect. As one woman said to me at Shepparton Preserving Company, when the shop steward stood up in the meeting and gave her a hard time, she said: "After all I am only doing what I think is right, it is surely my right to take this position in order to preserve my job".

I put it to you that you can build an industrial relations system based on genuine consensus. You can do it by having genuine enterprise agreements at the workplace level. It is possible to put in place the legislative changes for that to occur and you can do it without coercion. And those to me are the essential elements of the industrial relations system that is appropriate to the economic circumstances of Australia in the 1990's.

Thank you.

Dr John Hewson

Canberra, 1991

UNIVERSITY OF WOLLONGONG

ANNUAL SIR RICHARD KIRBY LECTURES

1979—1991

1979	Sir Richard Kirby
1980	Justice Jim Staples
1981	Bryan Noakes, CAI
1982	Blanche d'Alpuget
1983	Simon Crean, ACTU
1984	Noel Mason, Ch. of Manuf.
1985	Keith Hancock, now Aust. I.R. Commission
1986	Jeff Allen, BCA
1987	Bill Kelty, ACTU
1988	Joe Isaac (Melbourne Uni. and formerly ACAC)
1989	Bert Evans - MTIA
1990	Brian McCarthy - AFAP
1991	Dr John Hewson, Leader of the Opposition

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